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**Assessment of Customer Satisfaction with the Service Quality: In
case of Commercial Bank of Ethiopia four selected branches**

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ADDIS ABABA, ETHIOPIA

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Abstract

The study focused on the assessment of customer satisfaction with service quality in commercial bank of Ethiopian . The primary objective of this study is to assess the overall satisfaction level selected four branches with service quality. The study was conducted on selected four branches of commercial bank of Ethiopian in Addis Ababa. The five SERVQUAL dimensions developed by Parasuraman et al (1988) were used to assess the customer satisfaction. The sample consists of 400 respondents' selected based on simple random sampling method by using stratified sampling techniques . The collected data was analyzed with the help of SPSS version 20. The overall analysis of service quality and customer satisfaction based on SERVQUAL dimension of tangibility CBE is in a better position of employee dressing code and office material but it perform less on bank materials associated with the service like statement, advice, etc. In general, the finding of analysis showed that, the performance of CBE in providing quality of service is not in a position to meet the expectation of the customers. Low service quality lead customer dissatisfaction. Based on this, in order to improve the performance, the bank should prepare a customer service handling and other related trainings for front office staffs and should establish complaint handling mechanism. The bank also need to have a mechanism to motivate its employee. And also need to establish minimum service standards by considering international and local banking practices.

Keywords: Tangibility, Reliability, Responsiveness, Assurance, Empathy, Customer satisfaction, service quality, SERVQUAL model and Commercial Bank of Ethi

CHAPTER ONE

INTRODUCTION

This chapter contains of the background of the study, statement of the problem, research questions, and objectives of the study, significance of the study, delimitations of the study and organization of the paper.

1.1. Background of the Study

Customer satisfaction is the concept that occupies a central position in marketing though and practice (Potluri & Mangnale, 2010). Customer satisfaction is actually how customer evaluates the ongoing performance (Gustafsson et al, 2005) and it is a critical issue in the success of any business system in today's business world (Ahmed et al, 2010). According to Atalik and Arslan (2009) the ability of a service provider to create high degree of satisfaction is crucial for product differentiation and developing strong relationship with customers. However one key challenges of this market is how they satisfy and retain their customers and also manage service quality, which holds a significant importance to customer satisfaction and their perceived performance.

Customer satisfaction is influenced by many factors such as service quality and price. However, quality had a long term impact on the satisfaction of customers (Ahmed et al., 2010). Atalik and Arslan (2009) found that creating value and offering quality of service offered to customer creates loyal customers. According to Zhao et al (2002) because of its unique characteristics it is difficult to measure service quality objectively. Researchers have used different instruments to measure service quality but the most widely used instrument is SERVQUAL scale. SERVQUAL scale is the measures of service quality based on the gap between expectation and performance. Within SERVQUAL model there are five specific dimensions of service quality: tangibles, reliability, responsiveness, assurance and empathy (Parasuraman, Zeithaml, & Berry, 1988).

Service plays a major role in building and maintaining the development and growth of a country's economy hence the size of the service sector is increasing around the world. On the other hand, the quality of service supplied by banks and other service provider is not fulfilling customers' wants consistently. "People complain about late deliveries, incompetent personnel, inconvenient service hours, needlessly complicate procedures, long queues and a lot of other problems" (Lovelock and Wirtz; 2004:3).

Banks are playing a great role in creating opportunities for the development of national resources by facilitating savings and making them accessible to trade and industry. This in turn would work for the expansion of the productivity and capacity of the people, to satisfy their wants with respect to both goods and services. Due to this, in the last eighteen years the number of banks had increased in Ethiopia i.e. in 1994 there were only two commercial banks in the country. However, in 2016 the number of banks reached **19** which creates a hard competition among banks in meeting customer service expectation and satisfaction.

"Financial services" particularly banks are competing in similar products therefore service quality grows to be a main competitive weapon (Stafford; 1996).

1.2.Statement of the problem

In financial institutions especially in banking industry, offering quality services is very significant to create closer attachment with the customers. The issue of quality service is becoming a global concern that demands continuous improvement to fit the unbalanced environment and changing customer needs by scanning the internal and external environment to provide quality service. Quality of service has the power to create customer satisfaction and making them loyal. In contrast to this, poor quality of services results in customer dissatisfaction and customer defection by going to other competitors. In reality one satisfied customer tells only to small number of people but dissatisfied customer tells about the problem for too many people. Creating customers satisfaction includes fast and effective response and solutions to their needs and desires as well as building and maintaining good relationships become vital for any bank. Source: National bank of Ethiopia, 2017.

A business can achieve success only by understanding and fulfilling the needs of customer. Hence, customer satisfaction plays an important role for the success and continuous existence of the company. A key challenge for any service business is to deliver satisfactory outcomes to its customers in a ways that are cost effective for the company. “If customers are dissatisfied with the quality of the service they would not be willing to pay very much for it or even to buy it, at all if competitor offer better”(Lovelock and Wirtz; 2004: 408). Most banks are facing the challenge of delivering effective services which can satisfy their customers. Most of the time, there is a gap between customer expectation and service provided by the banks. These gaps in service expectation and delivery can damage relationships with customers.

The main factor that determines success of a firm is how the customers perceive or understand the resulting service quality, as this is the key driver of perceived quality. It is the perceived value which determines customer satisfaction. Many firms including banking industries begin to measure their customers’ satisfaction through measuring their level of service quality

Perceive by the customers. According to officials of the bank of CBE perform service quality survey on annual bases. The main finding of the survey shows there is gap between expectation and perceived value of a customer service(customer service survey 2011). Retaining the existing customers in the existing competitive environment become difficult .other financial institutions provide special service and price as compared with commercial bank of Ethiopia.

Customers of a bank rely on the services delivered to them whether they are saving, credit, foreign currency exchange or cash withdrawal they focus on the high service quality in other to increase their satisfaction. Improperly customer service results in poor perception of service quality and customer dissatisfaction. Therefore, delivering quality service has become one of the most important ways to gain superior customer satisfaction, which results in company profitability (Kotler, 2003).

Commercial bank of Ethiopia has a long history, and the pioneer of introducing modern banking system and products in the country. Commercial Bank of Ethiopia has not progressed that much as one expects and the problems that commercial banks face are many.

Currently the bank working hard in branch expansions, human resource development, introducing new modern technology and exert its maximum effort to achieve its vision of becoming world class commercial bank in 20205(CBE informer 2016). But the bank does not have a strategy how to improve customer satisfaction. Complains are raised in connection with th e customer service of the banks, way of operation and significant problems are forwarded in order to take corrective actions.

The most widely used model to measure perceived service quality was developed by Parasurmanet al (1985, 1988) known as SERVQUAL. According to this model, the five dimensions of service quality are Tangibility, Reliability, Responsiveness, Assurance, and Empathy. One additional dimension called convenience is considered as one dimension to measure the service quality. With the development of information technology, customers increasingly expect higher services in this information age. At the same time, most of them are becoming more and more time saved and wanting more convenience (Kolter and Keller, 2006).

Now a days Commercial bank of Ethiopia facing challenges with stiff competition. Hence ,delivering quality service and creating customer satisfaction is expected to win this competition. In relation to this, the focus of this study is: To measure the level of satisfaction of customer and service qualities of CBE and which SERVQUAL dimensions are important for customer satisfaction? The main purpose of this study is to assess customer satisfaction with service quality in commercial bank of Ethiopia in case of four selected Branch.

1.3. Research Questions

To address the statement of problem stated, the researcher brings the following research questions.

1. How does service quality related with customer satisfaction in CBE?
2. What are the challenge faced by CBE on quality service delivery ?
3. How do **SERVQUAL** dimensions affect customer satisfaction?
4. What is customer expectation and perception regarding service quality provided by CBE
5. What are factors that minimize the service quality gap

1.4. Objectives of the Study

1.4.1. General Objective of the Study

The general objective of the study is to examine the service quality and customer satisfaction of commercial bank of Ethiopia on selected four branch.

1.4.2. Specific Objectives of the Study

The specific objective of the study are

1. To relate the service quality and customer satisfaction of CBE.
2. To identify which SERVQUAL dimension has a great influence on customer satisfaction of CBE.
3. To identify the service quality dimensions which have high effect on the customer satisfactions of CBE.
4. To examine customers' expectation and perceptions of service quality provided by CBE
5. To identify challenge faced by CBE on service derlvery

1.5. Significances of the Study

The investigation results are important to the academicians, researchers, policy makers, for business practitioners, and management units in the case company. Specifically, the research helps to identify bottlenecks, waste, problems and improvement opportunities in the company. The study likely to provide knowledge on the importance of service on customer satisfaction. The finding enables the bank (CBE) to understand the relation between service quality and customer satisfaction and helps them to know the most important dimension used to satisfy customers. Also it indicates the extent of the gap between perceived performance and customers 'expectation of service quality. This enables them to minimize the gaps and to meet customers' expectation

1.6. limitation of the study

The study has focused on assessing the quality of the current service delivery system of Commercial Bank of Ethiopia, customer satisfaction; The banks have many branches in the country. However, the respondents in this study were customers from four selected branch of commercial bank of Ethiopia.

1.7. Organization of the Paper

This paper has five chapters. The first chapter deals with background information, statement of the problem, objective of the study, significance of the study, conceptual frame work of the study. The second chapter deals with review of literature. The third chapter discusses the utilized methodology. In the fourth chapter, the data presentation, analysis, interpretation and summary of major findings were discussed. The last chapter consists of the conclusion and recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Definition of Service

Many writers define 'service' in different ways: for example Kotler; 2003;128 defined service as "any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product". Any intangible actions that are performed by person or machines or both to create good perception within users called service. Although services are performed by service providers and consumer together its quality results in perception and value assessment by the customer (Rao; 2007).

2.2 Service Quality

Service quality is very important component in any business related activity. This is especially so, to marketer a customer's evaluation of service quality and the resulting level of satisfaction are perceived to affect bottom line measures of business success (Iacobucci et al.,1994). Customer expectations are beliefs about a service that serve as standards against which service performance is judged (Zeithaml et al., 1993); which customer thinks a service provider should offer, rather than on what might be on offer (Parasuram et al., 1988). To some, service quality can also be defined as the difference between customer's expectations for the service encounter and the perceptions of the service received. According to the service quality theory (Oliver, 1980), it is predicted that customers will judge that quality as 'low' if performance does not meet their expectations and quality as 'high' when performance exceeds expectations. Closing this gap might require toning down the expectations or heightening the perception of what has actually been received by the customer (Parasuraman et al., 1985). According to Gronroos (1982), perceived quality of a given service is the result of an evaluation process since consumers often make comparison between the services they expect with perceptions of the services that they receive. He concluded that the quality of service is dependent on two variables: Expected service and Perceived service.

Quality spells superiority or excellence (Taylor and Baker, 1994)(Zeithaml, 1988), or, as the consumer's overall impression of the relative inferiority / superiority of the organization and its services (Bitner and Hubbert, 1994; Keiningham et al.,1994-95). Consumer behavioral intentions

are also influenced by the standards of service quality (Bitner, 1990; Cronin and Taylor, 1992, 1994; Choi et al., 2004).

As described by Lewis and Booms (1983) giving quality service implies meeting the requirements to customer expectations regularly. Also Parasuraman, et al (1985) defined service quality as “the degree and direction of discrepancy between consumer’s perceptions and expectations in terms of different but relatively important dimensions of the service quality, which can affect their future purchasing behavior.” This definition clearly shows that service quality is what customers’ assess through their expectations and perceptions of a service experience. Customers’ perceptions of service quality result from a comparison of their before-service expectations with their actual service experience. Service quality is founded on a comparison between what the customer feels should be offered and what is provided (Parasuraman et al., 1985).

Service quality evaluated by assessing customer’s expectations and perceptions of performance level for a variety of service attributes (Parasuraman et al., 1985). If the customer’s expectations are meeting or exceeded, then the company is perceived to be offering higher service quality. But if on the other hand, the expectations of the customers are not meet, the company is on its way not only to face displeased and hostile customers, which in turn leads to defection to competitors. “Customer’s expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectation and quality is low when performance does not meet their expectation” (Asubonteng et al., (1996: 64). Expectation is viewed in service quality literature as desires or wants of consumer i.e., what they feel a service provider should offer rather than would offer (Parasuraman et al., 1988). Perceived service is the outcome of the consumer’s view of the service dimensions, which are both technical and functional in nature (Gronroos, 1984). Parasuraman et al, (1988:15) define “perceived quality as a form of attitude, related but not equal to satisfaction, and results from a consumption of expectations with perceptions of performance.” Therefore, having a better understanding of consumers attitudes will help to know how they perceive service quality in banks.

The service will be considered excellent, if perceptions exceed expectations; it will be regarded as good or adequate, if it only equals the expectations; the service will be classed as bad, poor or deficient, if it does not meet them (Vázquez et al., 2001). "The cumulative customer satisfaction is seen to be based on the total purchase and consumption experience with a good or service over time and as such, is a more fundamental indicator of the firms past, current and future

performance.”(Anderson;2003:53)

Quality evaluations derive from the service process as well as the service outcome. As stated by (Gronroos, 1982) there are two types of service quality these are technical quality and functional quality. Technical quality is - what the customer is actually receiving from the service (outcome) while functional quality is the manner in which the service is delivered (process).

“A vague exhortation to customer contact employees to “improve quality” may have each employee acting on his/her notion of what quality is. It is likely to be much more effective to tell a service contact employee what specific attributes service quality includes, such as responsiveness. Management can say, if we can improve our responsiveness, quality will increase”(Asubonteng et al; 1996:63).

2.3 Managing Service Quality

One of the critical tasks of service companies is service quality management. It is commonly said that “what is not measured is not managed”(Anonymous). Without measurement managers will not be sure weather service gaps exist, let alone what types of gaps and where they exist.

Many organizations are eager to provide good quality services, but fall short simply because they do not accurately understand what customers expect from the company. The absence of well-defined tangible cues makes this understanding much more difficult than it would be if the organization were making manufactured goods. Services organizations should ask the following key question: - (Cole; 1995:147)

- ✓ What do customers consider the important features of the service to be?
- ✓ What level of these features do customers expect?
- ✓ How is service delivery perceived by customers?
- ✓

In service marketing the quality of service is critical to a firm’s success. Service providers must understand two attributes of service quality: - first quality is defined by the customer not by producer or seller. Second, Customer assesses service performed (Stanton; 1987). Consequently, to effectively manage quality, a service firm should:

- ✓ **Help customers formulate expectation** Expectations are based on information from personnel and commercial sources promises made by the service provider and experience with the particular service as well as other similar services.
- ✓ **Measure the expectation level of target market** A service firm must conduct research to measure expectations. Gathering data on the target market's past behaviour, existing perceptions and beliefs and exposure of information can provide the bases for estimating expectation.
- ✓ **Strive to maintain consistent service quality at or above the expectation level.**

2.4 Customer Satisfaction

As indicated by Lovelock (2004) many researchers conceptualize customer satisfaction as “an individual's feeling of pleasure (or disappointment) resulting from comparing the perceived performance or outcome in relation to the expectation.” Service companies have since recently focused on customers in order to improve competitiveness. Customer satisfaction is one of the important outcomes of marketing activity (Mick and Fournier; 1999). In the competitive banking industry, customer satisfaction is considered as the fundamental of success. Satisfying customers is one of the main objectives of every business. Businesses recognize that keeping current customers is more profitable than having to win new ones to replace those lost.

Management and marketing theorists emphasize the importance of customer satisfaction for a business's success (Kennedy & Schneider; 2000). Good customer satisfaction has an effect on the profitability of nearly every business. For example, when customers receive good service, each will typically tell nine to ten people. However, customers who receive poor service will typically relate their dissatisfaction to between fifteen and twenty others (Naik:2010). Anderson and Zemke; 1998) stated that “Satisfied customers improve business and dissatisfied customers impair business”.

Therefore, customer satisfaction is an asset that should be monitored and managed just like any physical asset. The satisfaction judgment is related to all the experiences made with a certain business concerning its given products, the sales process, and the after- sale service. Whether the customer is satisfied after purchase also depends on the offer's performance in relation to the customer's expectation. Customers form their expectation from past buying experience, friends' and associates' advice, and marketers' and competitors' information and promises (Kotler; 2000).

Information about the opinion of the customer regarding a product or service is of essential importance, and can be obtained in several ways, such as customer surveys, phone interviews, and customer panel discussions. It is also important to measure customer orientation continuously (Rampersad; 2001).

Higher customer satisfaction leads to greater customer loyalty which in turn leads to higher future revenue. As a result, many market leaders are found to be highly superior customer-service orientated. They have been rewarded with high revenue and customer retention as well. For that reason, organizations in the same market sector are forced to assess the quality of the services that they provide in order to attract and retain their customers. Because satisfied customers are key to long-term business success (Zeithaml et al., 1996).

It is best that one fully understands the definition of the phrase 'Customer Satisfaction'. The phrase does not only express a happy customer, but rather complex than that. Customer satisfaction is actually a term most widely used in the business and commerce industry. It is a business term explaining about a measurement of the kind of products and services provided by a company to meet its customer's expectation. To some, this may be seen as the company's key performance indicator (KPI). In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. There is a substantial body of empirical literature that establishes the benefits of customer satisfaction for firms. It is well established that satisfied customers are key to long-term business success (Kristensen et al., 1992; Zeithami et al., 1996; McColl-Kennedy and Scheider, 2000).

It also defined as a global issue that affects all organizations, regardless of its size, whether profit or non-profit, local or multi-national. Companies that have a more satisfied customer base also experience higher economic returns (Aker and Jacobsson, 1994; Bolton, 1998; Yeung et al., 2002).

Consequently, higher customer satisfaction leads to greater customer loyalty (Yi, 1991; Anderson and Sullivan, 1993 Boulding et al., 1993) which in turn leads to higher future revenue (Fornell, 1992; Bolton, 1998). For that matter, many market leaders are found to be highly superior customer-service orientated. They have been rewarded with high revenue and customer retention as well. For that matter, organizations in the same market sector are compelled to assess the quality of the services that they provide in order to attract and retain their customers. Apparently, many

researchers conceptualize customer satisfaction as an individual's feeling of pleasure (or disappointment) resulting from comparing the perceived performance or outcome in relation to the expectation (Oliver, 1981; Brandy and Robertson, 2001; Lovelock, Patterson and Walker, 2001). There are two general conceptualizations of satisfaction here, namely, the transaction-specific satisfaction and the cumulative satisfaction (Boulding et al., 1993; Jones and Suh, 2000; Yi and La, 2004).

Transaction-specific satisfaction is the customer's very own evaluation of his or her experience and reaction towards a particular service encounter (Cronii and Taylor, 1992; Boshoff and Gray, 2004). This reaction is expressed by the customer who experiences a product or service for the first time. Meanwhile, cumulative satisfaction refers to the customer's overall evaluation of the consumption experience to date (Johnson, Anderson and Fornell, 1995); an own accumulation of contacts with services provided them from day-to-day. It is from this accumulation that customers establish a personal standard which is used to gauge service quality. However, in general, it is agreed that customer satisfaction measurement is a post-consumption assessment by the user, about the products or services gained (Churchill and Surprenant, 1982; and Rimmington, 1988).

2.5 Factors that Affect Customer Satisfaction

Matzler et al., (2002) classify factors that affect customer satisfaction in to three factor structures:-

1. **Basic factors:** - these are the minimum requirements that are required in a product to prevent the customer from being dissatisfied. They do not necessarily cause satisfaction but lead to dissatisfaction if absent.

These are those factors that lead to the fulfillment of the basic requirement for which the product is produced. These constitute the basic attributes of the product or service. They thus have a low impact on satisfaction even though they are a prerequisite for satisfaction. In a nutshell competence and accessibility

2. **Performance factors:** - these are the factors that lead to satisfaction if fulfilled and can lead to dissatisfaction if not fulfilled. These include reliability and friendliness.

3. **Excitement factors:** - these are factors that increase customers' satisfaction if fulfilled but does

not cause dissatisfaction if not fulfilled which include project management.

2.6 Reasons of Customer Dissatisfaction

Sometimes customers become dissatisfied, as indicated on www.qualitygurus.com some of the reasons for this dissatisfaction are:-

- ✓ **Not knowing the Expectations** Customer remains dissatisfied unless the company knows what the customer actually expects out of their product.
- ✓ **Not Meeting the Expectations** a customer may become dissatisfied because the service does not live up to expectations. In addition to that as a result of the rapid improvement in the technology, customer may compare the services provided by a company with those of the competitors, which may lead to dissatisfaction and customers over expectations and their changing needs may lead them for dissatisfaction.

2.7 Things to Do When You Have a Dissatisfied Customer

If customers dissatisfied, the first step is to identify and define their dissatisfaction. Their wants and needs first must be uncovered and defined to see if the features and benefits of your company's product or services can satisfy those wants and needs. Their dissatisfaction as well as their satisfaction should be measured and analyzed to get a better perception of their true level of dissatisfaction. Once the reason and level of their dissatisfaction is exposed then a system to improve that unhappiness can be instituted and a control can be implemented to insure continuation of that improvement in product or level of service. (www.qualitygurus.com).

2.8 Customer Satisfaction in Retail Banking

Customer satisfaction and service quality are inter-related. The higher the service quality, the higher is the customer satisfaction. Many agree that in the banking sector, there are no recognized standard scales to measure the perceived quality of a bank service. Thus, competitive advantage through high quality service is an increasingly important weapon to survive. Measuring service quality seems to pose difficulties to service providers because of the unique characteristics of services: intangibility, heterogeneity, inseparability and perishability (Bateson, 1985). Because of these complexities, various measuring models have been developed for measuring perceptions of service quality (Groenroos, 1983; 1990; Parasuraman et al., 1985; 1988; 1991; Stafford, 1996; Bahia and Nantel, 2000; Aldlaigan and Buttle, 2002).

2.9 SERVQUAL

For the purpose of measuring customer satisfaction with respect to different aspects of service quality and to overcome problems which is created as a result of the gap between management and customers, a survey instrument was developed by Parasuraman et al in 1988. The instrument is called SERVQUAL. The basic assumption of the measurement was that customers can evaluate a firm's service quality by comparing their perceptions with their experience. It is designed to measure service quality as perceived by the customer.

“Based on the information from focus group interviews, Parasuraman et al. (1985) identified basic dimensions that reflect service attributes used by consumers in evaluating the quality of service provided by service businesses.” Parasuraman et al. (1985; 1988) measured the quality of services provided by retail banks, a long-distance telephone company, a securities broker, an appliance repair and maintenance firm, and credit card companies.

Based on their study Parasuraman et al (1985) identified ten key determinants of service quality. They are:

1. Reliability
2. Responsiveness
3. Competence
4. access
5. courtesy
6. communication
7. . Credibility
8. Security
9. Understanding/ knowing/ the customer
10. Tangibles

In their 1988 work, Parasuraman et al discovered an instrument for measuring consumers' perception of service quality, after that it became known as SERVQUAL.

They prepared a quantitative research and the previous ten components were collapsed into five dimensions: -

1. Reliability: is ability to perform the promised service dependably and accurately.
2. Responsiveness: willingness or readiness of employee or professionals to provide Service
3. Assurance: knowledge and competence of service providers and the ability to convey trust and

confidence.

4. Empathy: Caring, individualized attention the firm provides to its customers.

5. Tangibles: Physical facilities, equipment's and appearance of personnel. Reliability, tangibles and responsiveness remained distinct, but the remaining seven components collapsed into two aggregate dimensions, assurance and empathy (Andersson, T.D. 1992).

2.9.1 Criticisms of SERVQUAL

Though, the SERVQUAL model has been the major generic model used to measure and manage service quality across different service settings and various cultural backgrounds, it has been subjected to a number of theoretical and operational criticisms (Buttle, 1996). However, Asubonteng et al (1996) conclude that until a better but equally simple model emerges, SERVQUAL will predominate as a service quality measure.

As identified by Buttle (1996), theoretical and operational criticisms of SERVQUAL are listed below.

_ “Theoretical:

- **Paradigmatic objections:** SERVQUAL is based on a disconfirmation model rather than an attitudinal paradigm; and SERVQUAL fails to draw established economic, statistical and psychological theory.
- **Gaps model:** there is little evidence that customers will assess service quality in terms of P – E gaps.
- **Process orientation:** SERVQUAL focuses on the process of service delivery, not the outcomes of the service encounter.
- **Dimensionality:** SERVQUAL's five dimensions are not universal; the number of dimensions comprising SQ is contextualized; items do not always load on to the factors which one would a priori expect; and there is a high degree of inter-correlation between the five RATER dimensions” (Buttle, 1996).

_ “Operational:

- **Expectations:** the term expectation is polysemic; consumers use standards other than expectations to evaluate SQ; and SERVQUAL fails to measure absolute SQ expectations.
- **Item composition:** four or five items cannot capture the variability within each SQ dimension.
- **Moments of truth (MOT):** customers' assessments of SQ may vary from MOT to MOT.
- **Polarity:** the reversed polarity of items in the scale causes respondent error.
- **Two administrations:** two administrations of the instrument cause boredom and confusion.
- **Variance extracted:** the over SERVQUAL score accounts for a disappointing proportion of item variances" (Buttle, .

2.10 The Relationship between Service Quality and Customer Satisfaction

The relationship between customer satisfaction and service quality has received a good deal of attention in the literature (Bolton and Drew; 1994). Parasuraman et al (1988) defined service quality and customer satisfaction as "service quality is a global judgment, or attitude, relating to the superiority of the service, whereas satisfaction is related to a specific transaction". Satisfaction is a "post consumption experience which compares perceived quality with expected quality, whereas service quality refers to a global evaluation of a firm's service delivery system" (Parasuraman et al., 1985).

Iacobucci et al. (1995) conclude that the key difference between service quality and customer satisfaction is that quality relates to managerial delivery of the service while satisfaction reflects customers' experiences with that service. They argue that quality improvements that are not based on customer needs will not lead to improved customer satisfaction. Bolton and Drew (1994:176) pointed out "customer satisfaction depends on pre-existing or contemporaneous attitudes about service quality". Anderson et al. (1994) also point out that improved service quality will result in a satisfied customer. Service quality has found as one of the significant factors in distinguishing services and products. Service quality is an important tool to measure customer satisfaction (Pitt et al, 1995). There is a close relationship between service quality and customer satisfaction.

Customer satisfaction can be protected by providing products or services with high quality. In addition, as service quality increases, satisfaction with the service and intentions to reuse the service increase.

Based on the survey result Siddiqi (2011) described that all the service quality attributes are positively related to customer satisfaction and customer satisfaction is positively related to customer loyalty in the retail banking settings. Kumar et al (2009) also stated that high quality of service will result in high customer satisfaction and increase loyalty. Furthermore Parasuraman et al (1988) found that customer satisfaction is the outcome of service quality

CHAPTER THREE

METHODOLOGY OF THE STUDY

This chapter involves presenting and motivating the choice of methods of collecting and analyzing data from both a theoretical and practical point of view, compared to the relative advantages and disadvantage of other alternative methods that may be more or less appropriate to the context of the study.

3.1 Research Design and Approach

The research design strategy originates from the research problem. The researcher has used the structured questioners in order to gather primary data. This method involves the collection of data from a sizable population. The survey was designed to be as short as possible while still getting maximum response from respondents. Thus, the research is explanatory study.

The purpose of the design was to correlate the service quality dimensions of, services quality and satisfactions with the scores on responses instruments for assessing the service quality through customer perceptions, and customer satisfaction.

Applying a statistics through survey research, and using methods of questioners, this study adopted a quantitative approach to assess the service quality and thereby customer satisfaction level of the CBE. By using a quantitative methodology, the researcher sought data, which was statistically be analyzed to produce quantified results. This study, therefore, employed a quantitative research methodology.

3.2. Description of the Study Population and Sampling

3.2.1 Population

Currently commercial bank of Ethiopia has 15 districts , 1154 branches and 13.5 million customers(bank report June 30,2016) .The study is being carried out in four selected branches under north,south,east, west(Addis Abeba branch, Finfine Branch,Bole,Abakoran branch respectively).

3.2.2 Sampling Technique

Simple random sampling technique to select our respondent .To determines the sample size to be considered as a sample proportionate stratified sampling methods applied. This method is implemented because the customer is categorized either saving or demand deposit customer or fixed time deposit. In order to define the sample size taken from each branch (Yemane, 1967) formula is implemented.

$$n = \frac{N}{1 + N(e)^2}$$

Where, **n= Sample size**

N= Total of population

e= Sampling error (10%) at 90% of level of confidence.

By implementing the above formula, considering 10 % of margin of error, 90 % of precision. The sample size of each branch is calculated as follows

1. Addis Abeba Branch

$$n = \frac{130,000}{1 + 130,000(0.1)^2} = 1301$$

$$1 + 130,000(0.1)^2 = 1301$$

$$n = 130,000 / 1301 = 100$$

2) Finfine Branch

$$n=64347$$

$$1+64347 (0.1)^2=645$$

$$n=64347/645=100$$

3) Bole Branch

$$n=46245$$

$$1+46245 (0.1)^2=463$$

$$n=46245/463=100$$

4)Abakoran Branch

$$n=57217$$

$$1+57217 (0.1)^2=573$$

$$n=57217/573=100$$

Tabel 1 customer calcification and sample taken

		Addis Abeba Branch	Finfine Branch	Bole Branch	Abakoran Branch
Saving		120000	60658	43537	52005
Time deposit		122	2	5	0
Demand		10000	3689	2703	5217
Total		13000	64,349	46,245	57,222
Sample from saving		92	95	95	90
Demand sample		8	5	5	10

Source: CBE Management information system report on 28/11/2016

For each branch the sample is taken from each stratum is obtained by

Dividing the number of customers found each stratum by the total number of the customer multiplied by the sample size of each branch

For example in Addis Abeba Branch the sample for each strata is obtained for saving strata= $120,000/130,000*100=92$ for demand deposit strata= $10,000/130,000*100=8$

In finfine Branch saving strata= $60,658/64349*100=95$ for demand deposit strata= $3,689/64349*100=5$ etc.

Only saving deposit and demand deposit account holder are only considered in sample because of their insignificance fixed time depositors are omitted.

Self-completion questionnaires are useful way of collecting data. (Brymam&Bell ,2007).The self-completion questionnaires has a couple of reasons among which are:

- They are cheaper to administer
- They are quicker to administer
- Respondent has some autonomy to respond to question which avoid biases.

The main drawback of self-completion questionnaires are:

- Low response rate from respondent
- some questionnaires are not completely answered
- Responses could be bias.

In this study the respondent completes the questionnaires by verifying when they summit. In this way the response rate will be high .Also, I will try to explain to the respondent the questionnaire in brief in order not to make them confuse.

3.3. Data Source and Type

Primary and secondary are used for the analysis of the study. Primary data mainly obtained through the administering of questionnaires while secondary data sources like some reliable literature and empirical findings that can be applied in order to have a better understanding the service quality construct and how the SERVQUAL model can be used to measure it.

3.4. Measurement Instruments

The close-ended Likert type questionnaires was used as the measuring instrument, this

questionnaire type is selected because it is easy to administer to groups of people simultaneously, it is less costly and less time consuming than other measuring instruments.

Likert scale is a widely used rating scale which requires the respondents to indicate a degree of agreement or disagreement with each of a series of statements or questions i.e. from (1) strongly disagree to (5) strongly agree. The questionnaire also includes some questions about educational background of respondents, employee level of the respondents, experience of the respondents at their current position.

3.5 Data Collection and Analysis Procedure

In the data collection and analysis of the study, the following procedures were used:

- ✓ For the selected respondents, briefing on the questioners was 1st given before making the distribution of the questioner after that the questioners were distributed to them.
- ✓ In order to give them sufficient time for the respondents, one week is given to the respondents before data collection. Then, the questions were collected from the respondents after a week depending on the time of distribution of the questioner.
- ✓ A reminder was made for the non-responding employees.
- ✓ The lagged questioners were collected.
- ✓ The questioners were Coded and analyzed for usability of the questioners are made.
- ✓ Analysis of the data using different statistics on SPSS version 20 was made.
- ✓ The Final paper was produced.

3.6. Method of data analysis

Before analyzing the data, the quantitative data collected using questionnaire were cross checked for its completeness and consistency. Then, descriptive statistics and correlational model were used in order to analyze the data. The analysis of the data was done using SPSS Version 20. Frequencies and percentages were used to analyze respondents' demographic data. Simple descriptive statistics (frequency distribution and mean have been used for the assessment of the responses of the employees of the organization. Correlation are used to test the relationship of the independent and dependent variables. The purpose of doing correlation will be to allow the study to make a prediction on how a variable deviates from the normal.

In order to study quality of service and customer satisfaction in commercial bank of Ethiopia it will be approaching the respondent to find out their perception of service quality in commercial bank of

Ethiopia four selected branch experience based on the dimension of the SERVQUAL model. This enables us to assess how the respondents perceive service quality in commercial bank of Ethiopia and hereby make conclusion by evaluating their gaps.

3.7 Ethical Considerations

According to Leedy&Ormarod (2010), there are four ethical issues that need to be addressed in the process of undertaking a research: That are protection from harm, informed consent, right to privacy, and honesty with professional colleagues. Therefore, the participants in this study was selected with full consent and informed to respond for questionnaires with confidence and understanding the purpose of the thesis; and the researcher was assure that as he will keep the information confidential and the data will used only for intended purpose.

CHAPTER FOUR

RESULT AND DISCUSSIONS

This chapter is designed in a way that leads easily to the points that we desire to make regarding our research question and objective of the study and that are best aligned with the methodology choice discussed earlier in the study. This chapter also has an objective of analyzing of primary data collected from the survey to find out how customers perceive service quality from commercial bank of Ethiopia whether they are satisfied with service quality of the bank. This will enable us to attain the objective of our study which is mainly describing empirical phenomena which are service quality and customer satisfaction.

Data analysis for the study was done in two steps, the preliminary analysis, and the main analysis. For preliminary analysis which involves mainly descriptive statistics to summarize data; the demographic characteristics of the respondents were outlined in order to simplify the understanding of the data.

The main analysis involved factor analysis whose purpose to find out if the SERVQUAL is applied in the context of CBE and the gap score analysis whereby descriptive statistics were applied to summarize means of perception and expectation of customers. We calculated the perception minus expectation score for each item and dimension in order to identify the service quality gaps. A convenient sample of 400 respondents was selected to obtain the required primary data. However, 370 completed questionnaires (response rate of 92.5 %) were utilized for analysis.

The SERVQUAL model is used to assess customer's expectation and perception regarding service quality of CBE. Both expectation and perception are measured using 5 point scale to rate their level of agreement or disagreement (5 strongly agree and 1 strongly disagree). Perception are based on the actual service they receive from the bank. Expectation is based on past experience and information received about the bank. Service quality score are the difference the difference between the perception and the expectation score (P-E). The quality score measure the service gap or the degree

to which expectation exceed perception.

The more positive the P-E score, the higher the level of service quality leading to a higher level of customers satisfaction .satisfaction and service quality are both treated together as futons of customer perception and expectation. In most cases, when expectation and perception are equal, service quality is satisfactory.

As mentioned earlier in this study, simple random sampling technique is implemented. I had 400 questionnaires to administer within two weeks unfortunately I only receive 370 questionnaires that were complete .This is because some people got the questionnaires and went away with them and other did not completely answer the questions and so we consider them invalid. This is however I taken care of by trying to verify if the respondents completed the questionnaire in order to increase the number of completed questionnaires.

4.1 personal profiles of respondents

Characteristics		Percentage (%)
Gender	Male	53.6
	Female	46.4
Age group	Below 20 years	3.78
	Between 20-29 years	27.59
	Between 30-39 years	34.32
	Between 40-49 years	17.02
	Above 50 years	17.29
Occupation	Government employee	55
	Students	4
	Business person	21
	Self employed	11
	Unemployed	9

Academic qualification	Primer school	4
	High school complete	12
	Diploma	23
	Bachelors	38
	Masters	18
	Doctorate	5
Intervals of visiting the branch	Daily	10
	Weekly	8
	Two times a month	17
	Monthly	57
	More than a month	8
Relationship with the bank	Less than one years	13
	1-3 years	12
	3-10 years	42
	10-20 years	25
	More than 20 years	8
Type of service	Saving deposit	59
	Demand deposit	23
	Local money transfer	11
	Fixed Time deposit	0
	Forging remittance or exchange	7
	Credit Facilities	0

Source:-Survey data (2017)

As presented in the above table that show the demographic characteristics of the respondent 53.6 % (

199) are male and 46.4 % (171), this may indicate CBE has the customer base which is dominated by male

with regard to their age group majority of the respondent that is 34.32 % (127) of are within the range of 30-39 years.27.59%(102) of the respondent is within the range of 20-29 years, 17.29%(64) of the respondents are within the range of more than 50 years, 17.02(63) of the respondents are with the age range of 40-49 years and 3.78%(14) of the respondents are within the age range of less than 20 years.

When we analyze the respondents age 62% (229) of the respondents are within the age range of 20-39 years it has a potential to create longtime customer relationship with this age group.

When we see the occupation status of the respondents 55%(203) are government employee,21%(78) are business persons ,11%(41) are self-employed, 9%(33) are unemployed and 4%(15) of them are students respectively.87%(322) of the respondents have a constant income that enable them to transact with the bank constantly and only 13%(48) of the respondents are un employed and students which may not have constant income to transact or receive the CBE service constantly. This shows that CBE has a potential to mobilize resources constantly from its customer.

We observe that the academic qualification of the respondent are 38%(140) are B.A holder,23%(84) are diploma holder ,18%(67) M.A holders and 5%(19) are doctors and they are professional that are worked in different profession .The rest 12%(45) of the respondents and 4%(15) of the respondents are high school completed and primary school completed respectively.84%(311) of the respondents are a diploma holder and above this show that most of the customers of CBE are professional persons.CBE has a potential to minimize the transaction cost and time because most of the customers are professional so there no need of educating or briefing about the intended business transaction or bank product and service.

Most of the respondents or 57 %(211) visit CBE branch's monthly basis .17%(63) of the respondents visit CBE branch two times a week to get the service, 10%(37) respondents go to CBE branch's on daily basis .8%(30) of the respondents visit CBE branches on weekly intervals and 8%(30) of the respondents visit CBE branch's by spending more than a month.

More than half of the respondents 57%(211) visit CBE branch on monthly basis to withdraw their monthly salary or send and receive remittance and 35%of the respondent visit CBE branch at least

in the weekly .This show that almost all in the month there is high customer visit in business transaction made at CBE branch.

As we know there are many banks in the banking industry that render the same service without any product differentiation. Customer satisfaction is expressed by loyalty of customers to their bank despite there are many banks that give the same service in the city.

In relation to this 42 %(154) respondents has more than 3-10 years business relationship with CBE, 25% (93) of the respondents has 10-20 years business relationship with CBE.

When we aggregate this two figures 67 %(247) of the respondents spent more than 30-20 years with CBE This show that CBE has loyal customers and also indicate CBE renders quality service to retain the existing customers.

Out of the respondents CBE has 13 %(48) less than one year customers, 12 %(45) of them has a business relationship 1-3 years and 8 %(30) of the respondents has business relationship more than two decade with CBE.

When we see the type of service rendered by the branch out of the respondents 59 %(218) are saving account holders that withdraw and deposit money to their account. 23 %(85) of respondents are business account holders that deposit cash and other negotiable instrument and withdraw cash from their demand account or business account. 11 %(41) respondents transfer and receive money from CBE branches using huge CBE branch network advantage. 7 %(26) respondents use CBE to receive money which is send from abroad. CBE has a customer base which is highly concentrated on saving account rather than demand and fixed time deposit. Saving deposit are more stable than demand deposit this implies that CBE has a stable deposit and has no liquidity problem.

4.1 Customer expectation, perception, and their gap using SERVQUAL Dimensions

Gronroos,(1982) ; Parasuraman (1985) have proposed that customers perception of service quality is based on the comparison of their expectation (what they feel service providers should offer) with their perception of the performance of the service provider.

For this study, we define expectation as desire or want of customers because this allows us to know exactly what service providers should offer and this is based on past experience and information received (Douglas & Connor, 2003, p.167). It is important to understand and measure customer expectation in order to identify any gaps in delivering service with quality that ensure satisfaction, Negi, (2009). Perception of customers is based on what they receive from the service

encounter (Douglas & Connor, 2003). Parasuraman (1988) postulate that customers perception of service quality is the difference between what they perceive and what the customer expect.($Q=P-E$). In this chapter gap score analysis help us to find out how customers perceive service quality in CBE and also help to identify what dimension of service quality satisfy them .Parasuramant (1985) the higher(more positive) the perception minus expectation score, the higher the perceived service quality and lead to higher the customer satisfaction. The gap score analysis are calculated based on the difference between the customer perception and expectation of service rendered by CBE .The difference between the two scores on each dimension are called gap score .The key to optimizing service quality is to maximize these gaps scores and associated gap equation($Q=P-E$)

4.1.1. Tangibles Dimension of Service Quality Table 3: Service Tangible dimension

Dimension	Evaluation statement	Perception score	Expectation score	Service quality gap score
Tangibility	Your bank has modern looking equipment	4.1959	4.5361	-0.3402
	Your bank physical facilities are visually appealing	3.7835	4.2371	-0.4536
	Your bank employee are neat and well dressed	3.7938	3.8351	-0.0412
	Material associated with the service (such as statements, advice)are visually appealing at your branch.	3.6598	4.3608	-0.701
	Average gap score of tangibles dimension			-0.3634

Source: survey data (2017)

As presented in Table 3 above, tangibility measure customers perception with respect to physical facilities used to provide product and service .The physical factors are given above with table 3 with their average tangible score gap of -0.3634 which indicate CBE failed to meet customer expectation on tangibility dimension . Employee is neat appearing has the score gap of -0.0412. Which show that most of the respondent gets the employee of CBE neat appearing and as expected

from the bank standard. Your bank has modern looking equipment's has the second score gap of -0.0412 followed by physical facilities are visually appealing and materials such as statements and advice are visually appealing having score gap of -0.34536 and -0.7010 respectively.

We understand from the table presented above most of the customers are highly satisfied with the employees neatness .CBE has good quality with regard to staff dressing code and must continue the dressing quality of the staff. In contrast to this CBE is not good with regard to materials associated with customer service like statement, advice, and cash deposit slip printed by computer .This material are un readable and not visually appealing .The bank must do some improvement to bring this tangibility aspect as customer expectation.

4.1.2 Reliability Dimension of Service Quality

Table 4: Service Reliability Dimension

Dimension	Evaluation statement	Perception score	Expectation score	Service quality score gap
Reliability	When your bank promises to do something by a certain time, it does so.	3.8247	3.9072	-0.0825
	When you have a problem, your bank shows a sincere interest in solving it.	3.6907	4.4536	-0.7629
	Your bank performs the service right the first time	3.8351	4.5464	-0.7113
	Your bank provides its service at the time it promises to do so	3.5052	3.5258	-0.0206
	Your bank insists on error free records	3.8144	3.8866	-0.0722
	Average gap score of Reliability Dimension			

Source-Survey data (2017)

The reliability attribute give insight on whether branches are offering service as promised, services are usually delivered error free, readiness to respond when a problems arise in relation to service quality and consistency of service, and delivery of services with customers expected time. As

depicted in table 4 above the average score gap is -0.3299 which indicates CBE is lag behind in meeting the customer expectation with regard to reliability dimension.

When we see each evaluation statement of reliability dimension CBE provides its service at the time it promise to do so has a leading score gap of -0.0206 and followed by CBE insisted on error free records having score gap-0.0722 and thirdly CBE do it promises by a certain time it promised having score gap of -0.0825 .This three findings consecutively shows that CBE is perform good on the stated evaluation statement . But as shown in the above table CBE is not performs well on sincere interest in problem solving. It has a least score gap of -0.7629 .CBE must improve sincere problem solving when the problem is arise and asked by the customer or before the customer request.

4.1.3 Responsiveness Dimension of service quality

Table 5: Service Responsiveness Dimension

Dimension	Evaluation statement	Perception score	Expectation score	Service quality score gap
Responsiveness	Employee in your bank tell you exactly when service will be performed	3.9897	4.6804	-0.6907
	Employee in your bank give you prompt service	3.8247	4.0619	-0.2371
	Employee in your bank are always willing to help you	3.9897	4.6495	-0.6598
	Employee in your bank are never too busy to respond to your request	3.9897	4.5670	-0.5773
	Average score gap of Responsiveness Dimension			

Source:- Survey data (2017)

The responsive dimension measure the extent to which staff and management are responsive to service demands of customers. How the service attendant of CBE are integrated with customer request. As presented on the above table 5 the average sore gap of responsive dimension is -0.5412 still CBE has lag behind on responsive dimension.

When we see each evaluation statement employee of your bank give your prompt service have a leading score gap of -0.2371. Employee in your bank are never too busy to respond to your request is the second having score gap of -0.5773. This shows that CBE performs well on the above stated two evaluation statements. Employee in your bank tell you exactly when services will be performed having a least score gap of -0.6907. This shows that the employee is not exactly tell when the service will be performed

4.1.4 Assurance Dimension of service Quality

Table 6: Assurance Dimension

Dimension	Evaluation statement	Perception score	Expectation score	Service quality gap score
Assurance	The behavior of employee in your bank instill confidence in you	4.0928	4.6186	-0.5258
	You feel safe in your transaction with your bank	4.0619	4.5052	-0.4433
	Employee in your bank are consistently courteous with you	4.0206	4.5567	-0.5361
	Employee in bank have the knowledge to answer your question	4.9588	4.6907	-0.7320
	Average score gap of Assurance Dimension			-0.5593

Source:-survey data (2017)

The assurance dimension of service quality is about the security how the customer feel safe in their transaction, personal behavior of employee and the required knowledge of the employee.

As depicted on the above table 6 the average score gap of CBE is -0.5593. When we see each evaluation statement you feel safe in your transaction with your bank having a leading score gap of -0.4433. This shows that customers are feel confident in transaction with CBE. Employee in your bank have the knowledge to answer your question have a least score gap of -0.7320. This implies that the employee of CBE is not capable to answer customer question so that CBE must give continuous training to make capable of or to make knowledgeable its employee.

4.1.5. Empathy Dimension of service Quality

Table: 7 Empathy Dimension

Dimension	Evaluation statement	Perception score	Expectation score	Service quality gap score
Empathy	Your bank gives you individual attention	3.5567	4.3299	-0.7732
	Your bank has operating hours convenient to all its customer	4.2268	4.5464	-0.3196
	CBE has employee who give you personal attention	3.5670	4.3196	-0.7526
	Your bank has best interest at heart	3.4845	4.5258	-1.0412
	The employee of your bank understand your specific needs	3.6392	4.3505	-0.7113
	The employee of your bank are able to conduct transaction immediately or in a short waiting period	3.6289	4.2577	-0.6289
	Average empathy dimension			-0.7045

Source:- Survey data (2017)

Empathy, literally, refers to putting oneself into one's shoe. In this case, it is translated to efforts exerted to satisfy customers' demand, ensuring impartiality in attending customer service demands, giving proper attention to customer, and serving customer with care.

As presented on above table 7 the average score gap of CBE is -0.7045 which illustrates CBE is not well on empathy dimension of customer service. When we see each evaluation statement of empathy dimension CBE score gap is better on operating hours convenient to all its customers having score gap of -0.3196. This shows that its operating hours are convenient to customers.

In contrast to this CBE is not well on evaluation statement of your bank has your best interest at heart having the list score gap of -1.0412. Which shows that CBE is not working having best interest of its customer at heart. CBE must work at best interest of its customer at heart to bring in a better

position of empathy dimension.

4.1.6 Convince Dimension of service quality

Table 8:-Convince Dimension

Dimension	Evaluation statement	Perception score	Expectation score	Service quality gap score
Convenience	The ATM of your bank are conveniently located	3.8763	4.5773	-0.7010
	Your bank provide special service or counter for elderly or disabled	2.8660	4.6289	-1.7629
	Clear guidance and information sign on how to use the bank service and facilities are available in your bank	3.4742	4.5567	-1.0825
	You easily get back office officer when you need	4.9588	4.6907	-0.7320
	your bank has parking area	3.6907	4.4536	-0.7629
	It is easy to get transport to come to your bank	3.5461	3.8351	-0.2887
	Average score gap of convenience dimension			

Source:-survey data (2017)

With the development of information technology, customers increasingly expect higher service in this information technology age. As the same time, most of them are becoming time conscious and require more convenience (koteler and Keller, 2006).

Convenience dimension capture the level of accessibility customers can easily handle their financial need. It include how the bank is near to customers ,location of ATM machine, availability of special window for disabled persons, the availability of signs and information displaying materials etc.As shown on the above table 8 conveniences dimension average score gap is -0.8883. Which illustrate that CBE is less convenient for its customer.

When we examine each evaluation statement of Convenience dimension transportation access to come to the branch has a leading score gap of -0.2887. Which show that the accessibility of CBE branches is good. A customer can get one branch of CBE near to him residential or working area.

The accessibility of ATM machine location registers the seconded score gap of -0.7010. This shows that the location of CBE ATM machine is convenient for its customers.

Your bank provides Special service or counters for disabled and elderly persons have the least score gap of -1.7629. This show that there is no special service or CBE is less convenience for elderly and disabled persons to get services. CBE must consider its services for this group of people by assigning special window and making the office structure favorable for elderly and disabled persons

4.2 Analysis of all SERVQUAL dimensions

Table 9;-Analysis of all dimension of SERVQUAL

Dimension	Evaluation statement	Service quality score gap
Tangibility	Your bank has modern looking equipment	-0.3402
	Your bank physical facilities are visually appealing	-0.4536
	Your bank reception desk employee are net appearing	-0.0412
	Materials assonated with the service (such as pamphlet, statement, advice) are visually appealing at your bank	-0.701
	Average gap score of tangible dimension	-0.3634
Reliability	When your bank promises to do something by a certain time, it does so.	-0.0825
	When you have a problem ,your bank shows sincere interest in solving it	-0.7629
	Your bank performs the service right the first time	-0.7113
	Your bank provides it service at the time it promise to do so	-0.0206
	Your bank insists on error free records	-0.0722

	Average gap score of reliability dimension	-0.3299
Responsiveness	Employee in your bank tell you exactly when service will be performed	-0.6907
	Employee in your bank give you prompt service	-0.2371
	Employee in your bank are always willing help you.	-0.6598
	Employee in your bank are never too busy to respond to your request	-0.5773
	Average gap score of responsiveness	-0.5412
Assurance	The behavior of employee in your bank instills confidence in you	-0.5258
	You feel safe in your transaction with your bank	-0.4433
	Employee in your bank are consistently courteous with you	-0.5361
	Employee in bank have knowledge to answer your question	-0.7320
	Average gap score of assurance	-0.5593
Empathy	Your bank give you individual attention	-0.7732
	Your hank has operating hours convenient to all its customers	-0.3196
	CBE has employees who give you personal attention	-0.7526
	Your bank has your best interest at heart	-1.0412
	The employee of your bank understand your specific need	-0.7113
	The employee of your bank are able to conduct transaction immediately or in ashore waiting time	-0.6289
	Average gap score of assurance	-0.7045
	The ATM of your bank are conveniently located	-0.7010
	Your bank provide special service or counter for elderly or disabled	-1.7629

Convenience	Clear guidance and information sign on how to use the bank service and facilities are available in your bank	-1.0825
	You easily get back office officer when you need	-0.7320
	your bank has parking area	-0.7629
	It is easy to get transport to come to your bank	-0.2887
	Average gap score of convenience	-0.8883

Source:-survey data (2017)

When we observe generally in all SERVQUAL dimensions CBE has registered less or negative values in each of them. Which show that customer expectation is more than its perception. The customer of CBE expects a lot of improvement from their bank to bring equal the service quality gap core at point of equilibrium or positive value. When the service quality gap score become zero or positive indicates, the customer perception equal to expectation or customer perception is more that their expectation .This show that CBE become preferable because it satisfy its customers by the above stated all SERVQUAL dimensions.

When we see the average score gap of CBE by all SERVQUAL dimensions is sore poorly -0.8883 in convenience score gap, -0.7045 in empathy score gape ,-.05593 in assurance score gap,-0.5412 in responsive score gap,-0.3634 in tangibility score gap,-0.3299 in reliability score gap consecutively.

All the above results show that CBE need a lot of improvement works .As shown in the above table CBE need to identify the area of improvement and prioritize them and take corrective measure to satisfy its customer.

4.3. Relationship between service quality and customer satisfaction

According to Sureschandar et al,(2002), customer satisfaction should be seen as a multi-dimensional construct just as service quality meaning it can occur at multi levels in an organization and that it should be operational zed along the same factors on which service quality is operational zed.

Parasuraman(1985)suggested that when perceived service quality is high, then it will lead to increase in customer satisfaction .He support that fact the service quality leads to customer

satisfaction .Saravana&Rao(2007) customer satisfaction is based upon the level of service quality provided by the service provider.

Fen&Lian(2005) both service quality and customer satisfaction has a positive effect on customer retention. Both service quality and customer satisfaction have a crucial role to play in the successes and survival of any business in competitive market.

Table 10:-The relationship between service quality and customer satisfaction

Correlation		Tangibility	Reliability	Responsiveness	Assurance	Empathy	convenience	Customer satisfaction gap
Tangibility	Pearson correlation	1	0.540	0.449	0.369	0.525	0.613	-0.113
Reliability	Pearson correlation	0.540	1	0.730	0.542	0.580	0.600	0.186
Responsiveness	Pearson correlation	0.449	0.730	1	0.741	0.633	0.468	0.309
Assurance	Pearson correlation	0.369	0.542	0.741	1	0.716	0.461	0.248
Empathy	Pearson correlation	0.525	0.580	0.633	0.716	1	0.674	0.097
Convenience	Pearson correlation	0.613	0.600	0.468	0.461	0.674	1	-0.138

Source:-survey data (2017)

4.3.1 Tangibility and customer satisfaction

Tangibility relates to the physical aspect of service dimension such as tool, equipment, and the appearance of service provider. As depicted on the above table 10 tangibility correlated or have negative customer satisfaction gap. This result show that deploying modern office equipment, whatever visually appealing the physical facilities, no matter how the employee is neat appealing Has no positive influence on customer satisfaction level.

4.3.2 Reliability and customer satisfaction

Reliability is the attribute which is expressed by performing activities at a certain time promised, showing sincere interest in solving problem when arise, in making error free transaction, performing right at the first time etc. As shown on the above table, there is a positive relationship between reliability and customer satisfaction. The more sincere in problem solving ,the more we do error free transaction, the more we perform right the first time, the more we keep our promise to our the customer . This all stated lead to more satisfied customers .To increase the satisfaction level of its customers CBE must do a lot of works on the above stated evaluation statements .

4.3.3. Responsiveness and customer satisfaction

Responsiveness is expressed how the service is provided promptly, how employee are willing to help customer, how employee are never too busy to respond customer request, how employee tell to customer exactly when service will be performed.

As shown in the above table 10 there is a positive relationship between responsiveness and customer satisfaction. When CBE become more responsive to customer for values which is stated above the customers satisfaction increase positively

4.3.4. Assurance and customer satisfaction

Assurance refers to the degree of confidence that the customers has in the service. Assurance is expressed by behavior of the employee to instill confidence, the safety of transacting, consistency in employee courteous and the knowledge of the employee to answer customer question. As shown in the above table 10, customer satisfaction and assurance has a positive relationship. The more assure our customer the more satisfied we have. CBE must assure its customers to increase its satisfaction level.

4.3.5. Empathy and customer satisfaction

Empathy refer to the extent to which the service provider understand events from the angel of the customer point of view .Empathy refer to understanding the need and the want of our customer and

trying to satisfy this customer need and want.

Empathy is expressed by providing individual attention to customers, making convenient the operating hour, working to achieve the interest of customer, serving customers with in the short waiting time. As shown in the above table 10, empathy and customer satisfaction has a positive relationship. CBE must work hard to improve its empathy by working hard on the stated evaluation statements and increase its customer satisfaction level.

4.3.6 Convenience and customer satisfaction

Convenience refers to the accessibility of branches near to customers and the availability of officers and other facilities near to customer to get service.

Convenience is expressed by favorable location of ATM machine, the existence of special service and facilities for disabled and elderly persons, the existence of clear signs that give information to customers, easy access of back office officer, existence of parking lot and transportation access.

As shown on the above table 10, convenience and customer satisfaction has a negative relationship .The branch expansion of CBE , the deployment of ATM machine in a convenient places , putting clear signs in the office etc. have a negative effect on customer satisfaction level.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

In this chapter, we proved answers to our research question by summarizing our findings from the analysis and discussion chapter.

5.1 Conclusion

From the analysis carried out in order to answer our research question and hence fulfill the purpose of our study which includes: trying to find out if the SERVQUAL model is used to measure of service quality in CBE on four selected branch and empirically find out how consumer perceive service quality in CBE by identifying what dimensions bring satisfaction.

From the gap score analysis carried out, it was found that, the overall service quality is low as perceived by consumer in CBE and hence no customer satisfaction. Consumers have higher expectation than what they actually received from CBE and the difference is wide.

To answer our research question which are , how consumer perceive service quality and consumer satisfied with service offered by CBE, the gap score analysis carried out provided answer to these question. The overall perceived service quality is low as expectation exceeds perception meaning consumers are not satisfied. Evaluating the perceptions and expectation of consumers, it can be seen that no dimension of service quality brings customer satisfaction.

Data collected from the respondents was analyzed using descriptive analysis and correlation by the help of statistical packaging for social science (SPSS).

The average score gap of tangibility dimension is -0.3634. In this tangibility dimensions customers are more unsatisfied in connection with the materials used like statement, advice, cash and cheque deposit slip having large score gap of -0.7010.

The reliability dimension of service quality have an average score gap of -0.3299. As identified in reliability dimension the employee of CBE does not show the sincere interest in solving the customer problem.

The average score gap of responsiveness dimension is -0.5412. The result find from the respondent show the employee of CBE are not telling to its customer exactly when service will be performed.

The average score gap of assurance dimension is -0.5593. The findings show that the knowledge of the CBE employee to answer the customer question is not as expected from banker.

The finding on empathy dimension has an average score gap of -0.7045 . From the finding we observe that CBE is not working with the best interest of its customer .This show that CBE is not customer oriented.

CBE convince dimension has an average score gap of -0.8883 . From the convince dimension customers are not satisfied on the in availability especial service or special window for disabled and elderly persons. The bank is not give special attention for the incapable persons.

5.2 RECOMMENDATION

- Based on the assessment result of the study the following recommendations are forwarded by the researcher for further improvement of CBE.
- Since majority of the respondent are not satisfied with the current service of the bank;
- the researcher recommend that the staff should aware of the specific need of the customer and design a system that provide efficient service to customers who need special customer service or window .(like disabled person or elderly people)
- It is better to establish customer compliant handling desk at the branch and assigning responsible customer relation officer that deal with customer complain and assistance. If the customer has any complain about the branch service quality the customer can easily express his complain about the service rather than leaving the bank forever .This help to create loyal customer of the bank.
- Giving the necessary training to all employee help the bank to serve customers as the customer expected from the bank. Staff training is crucial factor in delivering quality service and organizational performance and profitability.
- The researcher recommend that the bank have to use different motivating mechanism to motivate employee .To provide quality service the bank should have satisfied employee.

Since employee who is not satisfied with his job cannot deliver quality service and cannot satisfy customer.

- By studying the industry practice locally and internationally the bank can set minimum service standards or benchmark .This benchmarks should be practiced by all employee of the bank to provide effective and efficient customer service .The management of the bank responsible for planning, implementation, and continuous follow up of the minimum service standards proper implementation.
- Inform customers properly about the bank service standards and getting feedback about the service delivery of the bank and then use this customer feedback as input as further service delivery improvement.
- All employee have to know the relationship of service quality and customer satisfaction .This is done by continuous training and development on how to handle customer complain sincerely ,how to solve customer problem, how to make error free transaction ,how to improve the quality of material used in the branch daily operation etc.
- All employee of CBE should ware quality customer service is main thing for the company existence and continuous profitability.
- Delivering quality service has to link with daily activities of employee and performance evaluation system of the bank. Currently the bank use balance score card (BSC) to evaluate each employee performance. So that delivering quality service can use as one measurement criteria in performance evaluation system of the bank.
- The researcher recommends that the bank need to create awareness about new product and service of the bank to its employee or customers before the product or the service sold.
- In general, CBE have to improve its performance in all SERVQUAL dimension in order to make customer satisfaction as customer expectation and bring the customer to higher level of loyalty.
- Creating loyal customer is a basic thing to maintain higher market share in the industry and to registering continuous profit in the competitive retail banking industry

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**St. Mary's University
School of Graduate Studies**

Department of Project Management

Questionnaire regarding service quality and their satisfaction at

Commercial bank of Ethiopia the four selected Branches(Addis Ababa, Bole, Finfine and Abakoran)

Dear customer,

I am M.A student of **St. Mary's University**at department of project management .To finalize my study I am going to conduct a research on service quality and customer satisfaction on commercial bank of Ethiopia

I am intended to gather data to study quality of banking services in CBE that may lead to higher quality of services and customer satisfaction. This questionnaire composed of four parts the first part is about customer profile .The second part is focused on what you expect from Commercial Bank of Ethiopia. The third part is focused on what the customer understand about the service of the CBE.

The responses you responded are important to get the pure picture of service quality and customer satisfaction in CBE and I would like to ask your precious time to fill this questionnaire. I want to assure your responses are confidential and used only for academic purpose

Part 1

Customers' profile

Please tick the appropriate box for your answers. Please tick only one box.

1. Your sex?

male

female

2. Your age range.

Below 20 years

20 – 29

30-39

40 – 49

50 and above

3. Your occupation?

- Government employed student Business Person
 Self employed Unemployed
 Others.....

4. Your academic qualification?

- Primary school High school complete Diploma
 Bachelor's Post graduate/Masters/
 Doctorate degree/PhD/

At what intervals you visit commercial Bank of Ethiopia touse its

5. service?

- Daily Weekly Two times a month
 Monthly More than a month

6. How long you become the customer of commercial Bank of Ethiopia ?

- Less than one year 1- 3 years 3-10 years

[] More
] 10-20 than 20
 [years years

7. The type of service you received from the branch

- [] saving deposit
- [] Demand deposit
- [] local money Transfer
- [] Fixed Time deposit
- [] Foreign Remittance
- [] Credit Facilities

Part 2 Customer expectation

Dimensions	Q.No	Statement of evaluation	Rating Scale				
			Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
			5	4	3	2	1
Tangibility	8	commercial Bank of Ethiopia is excellent in using modern banking equipment to serve the customer					
	9	The office lay out and the office equipment arrangement is visually appealing and					

		excellent at commercial Bank of Ethiopia					
	10	Employees are proficiently dressed and neat					
	11	Documents issued associated with the service are comfortable ,readable and used for the intended purpose (such as advice or statements or secret number or receipts)					
Reliability	12	commercial Bank of Ethiopia render service within the promised time frame					
	13	commercial Bank of Ethiopia is excellent in solving the problem with recognition and interest with in short period of time					

	14	The waiting time to get the service is good at commercial Bank of Ethiopia					
	15	All transaction performed by commercial Bank of Ethiopia are zero error					
	16	commercial Bank of Ethiopia render the service for all customers without any discrimination					
Responsiveness	17	Employee of commercial Bank of Ethiopia are excellent in briefing the customer all the required precondition to get the service					
	18	Employees are fast enough to give the service requested by the customer					
	19	Employee of commercial Bank of Ethiopia are helpful					

		and excellent in solving customer problem					
	20	Employee of commercial Bank of Ethiopia are excellent in responsiveness and responsibility to address customer request					
Assurance	21	The behavior of commercial Bank of Ethiopia employee are excellent to continue my transaction at this branch					
	22	Customers feel safe when they transact with commercial Bank of Ethiopia					

	23	The employee manner at commercial Bank of Ethiopia is continuously well managed					
	24	Employees are knowledgeable and answer the customer request without any problem					
		When I ask the question I get the answer from the first asked employee					
Empathy	25	commercial Bank of Ethiopia is excellent in giving attention to each and every customer of the branch					
	26	The working hour of commercial Bank of Ethiopia is convenient to all customer					
	27	commercial Bank of Ethiopia is excellent in giving personal service to customers					
	28	commercial Bank of Ethiopia Employees are excellent in working to achieve the best interest of their customers					
	29	Employee of commercial Bank of Ethiopia are excellent in knowing the interest of					

		their customers					
	30	The employee of commercial Bank of Ethiopia are excellent in processing transaction efficiently and effectively					
Convenience	31	ATM should locate at convent place at commercial Bank of Ethiopia					
	32	commercial Bank of Ethiopia is Excellent in providing service for having special need customers like disabled person ,elderly person					
	33	commercial Bank of Ethiopia is excellent on putting signs and indication where the customer can get the required service at the CBE.					
	34	commercial Bank of Ethiopia back office employee arrangement is excellent in getting the assigned officer easily					

	35	commercial Bank of Ethiopia is excellent in parking area					
	36	commercial Bank of Ethiopia location is excellent to get transportation service.					

Customer expectation means what the customer is previously aware of the ordinary service quality rendered by other similar banks or branches under normal circumstance. The customer is expect or requires that previously known service from commercial Bank of Ethiopia

Part 2 Customer perception

Please select the characteristics which is describe commercial Bank of Ethiopia. This understanding is base on what you expect from commercial Bank of Ethiopia and what you actually get from the commercial Bank of Ethiopia Once again, make a "mark" in numbers 1-5 you may select any of the numbers.

Dimensions	Q. No	Description	Rating Scale				
			Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
			5	4	3	2	1
Tangibility	8	commercial Bank of Ethiopia Use modern Equipment.					
	9	Office layout of commercial Bank of Ethiopia is visually appealing.					
	10	Employee of commercial Bank of Ethiopia is proficiently dressed & neat					

		appearing.					
	11	Documents issued by the bank are visually appealing (Advice, statement etc.)					
Reliability	12	When your bank promises to do Specific action within a certain time, it does So within the specific time frame					
	13	When you encounter a problem your bank solve sincerely and with short period of time					
	14	The waiting time of your bank is short					
	15	Your bank process error free transaction with you					
	16	You treated equally at your bank					
Responsiveness	17	Employee of commercial Bank of Ethiopia brief you sincerely all the required things to get the service					
	18	Employee of the commercial Bank of Ethiopia give you fast service					

	19	Employee of commercial Bank of Ethiopia help you when you face problem					
	20	Employee of commercial Bank of Ethiopia always respond to your question					
	21	You feel confident to transact at commercial Bank of Ethiopia					

Assurance	22	You feel safe in your transactions With commercial Bank of Ethiopia.					
	23	commercial Bank of Ethiopia employee has a good manner					
	24	commercial Bank of Ethiopia staff is knowledgeable and answer your question any officer at Window.					
Empathy	25	commercial Bank of Ethiopia give attention to you					
	26	The operation hours is convenient to you					
	27	your bank has assigned employee and dedicated window to give personal service					
	28	commercial Bank of Ethiopia employee are working to satisfy your best interest					
	29	commercial Bank of Ethiopia employee know your best interest					
	30	commercial Bank of Ethiopia process your transaction efficiently and effectively					

Convenience	31	commercial Bank of Ethiopia ATM Machine location is convenient to you						
	32	Your bank serve special need customer on dedicated window like disabled and elderly persons.						
	33	Clear signs and indicators are properly put in commercial Bank of Ethiopia						
	34	You easily get back office officers when you need						
	35	You park your car easily when you come at commercial Bank of Ethiopia						
	36	You get Taxi easily to come and go from commercial Bank of Ethiopia						

Perception is what is actually existed or observed by the customer at the certain entity or what the opinion of the customer after receiving the service by comparing from what he previously expects

.Please select your feelings in the Box provided

1. Your level of satisfaction in Addis Ababa branch customer service?

very good good very Bad Bad Numeral

2. What is your expectation before you become customer of commercial Bank of Ethiopia

very high high Medium low Very low

3. Are you expectation meet?

yes No

4. Do you Refer commercial Bank of Ethiopia service for your friends, relative etc.

yes no Undecided

5. Please suggest you opinion the things the CBE need to do to improve customer service

.....

Thank you for the time to answer the questioner